



Rumble Inc.

First Quarter 2024 Earnings Call

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CORPORATE PARTICIPANTS

Shannon Devine, *Investor Relations*

Chris Pavlovski, *Founder, Chairman, and Chief Executive Officer*

Brandon Alexandroff, *Chief Financial Officer*

Tyler Hughes, *Chief Operating Officer*

CONFERENCE CALL PARTICIPANTS

Jason Helfstein, *Oppenheimer*

Thomas Forte, *Maxim Group LLC*

PRESENTATION

Operator

Greetings. Welcome to Rumble Inc. First Quarter 2024 Earnings Call.

At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. If anyone should require Operator assistance during the conference please press star zero on your telephone keypad. As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Shannon Devine, Investor Relations. Thank you. You may begin.

Shannon Devine

Thank you, Operator.

I'm here today with Chris Pavlovski, Founder, Chairman, and CEO of Rumble, Brandon Alexandroff, the CFO, and Tyler Hughes, the COO.

A press release detailing our first quarter 2024 results was released today and is available on the Investor Relations section of our company website. Before we begin the formal presentation, I would like to remind everyone that statements made on the call and webcast may include predictions, estimates, or other information that might be considered forward-looking.

All forward-looking statements are made only as of the date of this webcast and should be considered in conjunction with the cautionary statements in our earnings release and the risk factors included in our filings with the SEC. Future company updates will be available via press releases and company updates via the Company's identified social media channels.

I will now turn the call over to Rumble's Founder, Chairman, and CEO, Chris Pavlovski.



Chris Pavlovski

Thank you, Shannon.

Though it hasn't been long since our last update, I would like to reiterate the major achievements of our first quarter, led by the public launch of Rumble Cloud and Rumble Studio. While both products are still in their very early innings, we are highly encouraged by their market reception.

For Rumble Cloud, we launched our initial cloud computing offering and successfully secured two key strategic partnerships, ACP CreativIT and Qinshift, to help augment and deliver our initial suite of products for the mid-market and enterprise segments. While we recognize that sales cycles can extend to several months due to the mission-critical nature of cloud services, we have seen great receptivity to our value proposition, which addresses some of the major pain points in the cloud market, including security and unpredictable costs. As a result, we have been able to successfully generate and advance many sales conversations with mid-market and enterprise customers. As we advance sales cycles, we will continue to augment our offering based on the feedback we receive from customers, which will extend our addressable market and accelerate our ability to capture a larger share. For Rumble Cloud, we expect to see meaningful results during the back half of 2024.

Now turning to Rumble Studio, which has seen tremendous early results with over 2 thousand creators adopting the product. These creators include Tucker Carlson, Megyn Kelly, Glenn Greenwald, Dave Rubin and Donald Trump Jr, just to name a few. The Studio is the new cockpit for our creators where they can simplify their live streaming experience by easily streaming video to multiple platforms, inviting guests, and engaging with their audiences. Most importantly, Rumble Studio will be a new scalable vehicle for creators to monetize their live content through our patent-pending technology to facilitate host-read advertising through the platform. While we continue to test the underlying technology and optimize the experience for both the creator and advertiser, we expect Rumble Studio to be a key enabler for us to automate and scale our host-read advertising revenue stream.

One of the ways we plan to drive host-read ads at volume is through Rumble-branded product lines. In Q1, we entered into a partnership to launch Rumble-branded 1775 coffee and have seen very promising results. March coffee sales by our partner were up 43% over February, and April sales were up 68% over March. The strategy in entering partnerships to create products that fill excess advertising inventory is working so well that we have decided to launch multiple new products in the coming months. We believe the Rumble Studio technology can drive meaningful scale to this revenue line in the coming years with nearly zero investment.

Both the studio and cloud round out the foundation of our portfolio consisting of our flagship Rumble Video platform, our new livestreaming service Rumble Studio, our advertising platform Rumble Advertising Center, and of course, our new infrastructure as a service offering, Rumble Cloud.

During the first quarter, Rumble Advertising Center, or RAC, began deploying pre-roll video ads across our mobile apps. We also continued expanding our ad inventory by onboarding publishers to the RAC network, which is a massive long-term opportunity for us, as it was for Google with AdSense. We have seen great progress in growing the publisher network on RAC with the recent onboarding of Breitbart, The Gateway Pundit, and Drudge Report – just to name a few. Outside of inventory expansion, we continue to build our sales and marketing teams as we drive demand to the platform, where we are seeing great results through direct response particularly in financial services, health products and e-commerce. We are also making meaningful progress with brand advertisers.

The first quarter reflected a transitional period during which we completed the final leg of our core building phase, brought our monetization tools online, and began to ramp our focus on revenue as the quarter progressed. With this enhanced focus on revenue, we are on track to deliver sequential revenue increase starting in the second quarter.



Given this transition in focus toward monetization, we plan on introducing average revenue per user, or ARPU, as a key business metric later this year. Compared to our existing metrics of estimated minutes watched per month and hours of uploaded video per day, this new key business metric will better reflect our management's evolving assessment of the business and our priority to monetize our core userbase. Our average MAUs for the first quarter were 50 million, representing our 9th consecutive quarter of over 40 million MAUs, further solidifying our core audience as we head into an exciting back half of the year with the US election cycle.

While we have historically had to spend money to incentivize certain prominent creators to join our platform to diversify our content and build our user base, we believe this will become less and less necessary. This is because the new monetization assets built within our platform are designed to incentivize creators, driving organic growth through new content, and will ultimately continue to add to our core userbase. As a result, expenses from commitments to creators have started to reduce as agreements come to a close. We expect this trend to continue as we progress throughout the year and into early 2025.

As I close, I want to reiterate that we are now officially through our building phase as a company and have turned focus to executing and delivering topline growth, while growing sequentially quarter after quarter. We took our time, built the right products, and are now on track to deliver.

Finally, I'd like to mention that we recently filed a second antitrust lawsuit against Google based on Google's monopolization of the online advertising market, with damages estimated in excess of 1 billion dollars. This lawsuit is separate from our existing self-preferencing lawsuit against Google, where we have seen early success and are nearing the end of fact discovery. In addition to the billions in potential damages from both lawsuits, we are also seeking injunctive relief. If we are successful in these lawsuits, Rumble and other platforms can finally have a level playing field in search traffic, mobile apps, and online advertising, which we expect would lead to a material increase to our MAUs and advertising revenue.

With that, I'll turn the call over to our CFO, Brandon Alexandroff.

Brandon Alexandroff

Thanks, Chris.

I'll now take you through our first quarter financials at a very high level before turning the call over to the Operator for Q&A.

For the first quarter of 2024, we reported revenues of 17.7 million dollars, compared to 17.6 million for Q1 2023. Other services and cloud revenues increased by 3.2 million, offset by a decrease in advertising revenues of 3.1 million. The increase in revenue from other services and cloud is driven mainly by subscriptions, tipping features, and cloud services offered. The decrease in advertising revenue is mostly related to sponsorship revenue. As we mentioned, the manual processes inherent in our sponsorship revenues generation result in a smaller number of participants, which in turn creates volatility.

With an increased focus on revenue we intend to disaggregate our revenue into additional categories later in the year while introducing a new key business metric, Average Revenue Per User or ARPU, for certain revenue categories. We believe that ARPU will better reflect the focus of our management team, and, accordingly, over time we intend to phase out the reporting of estimated Minutes Watched per Month and hours of uploaded videos per day.

We also continue to expect a sequential increase in second quarter revenues as compared to the first quarter and expect this trend to continue throughout 2024.



Cost of services increased to 31.8 million for the quarter compared to 26.0 million in the first quarter of 2023 due to an increase in programming and content costs of 5.3 million, hosting expenses of 0.1 million, and other service costs of 0.4 million.

Moving to our cash position. We ended the first quarter of 2024 with 183.8 million in cash, cash equivalents and marketable securities compared to 219.5 million as of December 31, 2023. And, as of March 31, 2024, our programming and content agreements had a minimum contractual cash commitment of 76 million, down from 106 million at December 31, 2023. We maintain sufficient cash to meet our ongoing capital needs.

Before I conclude, I want to reiterate that with our revenue engines coming online and our guaranteed creator commitments now significantly decreasing during 2024 and into 2025, we continue to move materially towards breakeven in 2025.

That concludes my prepared remarks. I will now turn the call over to the Operator to open up the line for questions.

Operator

Thank you.

We will now be conducting a question-and-answer section. If you would like to ask a question, please press star one on your telephone keypad. A confirmation tone will indicate that your line is in the question queue. You may press star two if you would like to remove your question from the queue. For participants using speaker equipment it may be necessary for you to pick up your handset before pressing the star key. One moment please while we pause for questions.

Our first question comes from Jason Helfstein with Oppenheimer.

Jason Helfstein

Hi everybody. We'll just break this down to just a bunch of topics and go into each. Let's start with engagement. Relative to the fourth quarter, U.S. MAU was down a good amount, probably a little more than we would have thought. Maybe just talk about the swing factors there? Then, obviously, appreciate the comments about the sequential improvement in revenue. If you can say anything about engagement so far in the second quarter relative to the first quarter? Let's start there and then we'll get to some of the other questions.

Chris Pavlovski

Hey, Jason, this is Chris. With respect to the fourth quarter of last year, in Q1 we saw a major influx of MAUs coming from the sports content, in particular, Street League Skateboarding was one that did really, really well and over-performed. We saw a lot of our sports content really push the needle on MAUs a lot further than we anticipated in Q4. Obviously, that didn't really exist in Q1. That's one of the contributing factors. The other factors are obviously geopolitical events that happened in Q4 around the world had an outsized impact on MAUs as well. That kind of settled in Q1. With respect to Q2, we're not providing any guidance right now on Q2 outside of what we've already provided.

Jason Helfstein

Then just on political, are you starting to see any pickup in political engagement or it's still too early?

Chris Pavlovski



It's still too early at this point. We did see a little pickup in January with the primary, but then that fizzled really fast. We haven't seen that come back yet. But I would anticipate that to really pick up in the back half of 2024 and probably around the convention time.

Jason Helfstein

Got it. Then, with respect to RAC, were any ads sold through RAC in the first quarter, or that really won't start—that really didn't start until the second quarter?

Chris Pavlovski

Yes. We started introducing pre-rolls in our apps through RAC. We've had a lot of advertisers sign up to RAC, and we've started moving a lot of our inventory through RAC. Yes, RAC is selling. Advertisers are now buying via RAC, and we're now executing inventory through RAC as well on both Rumble and even other publisher sites as well. We're seeing RAC really—we saw a lot of momentum for RAC in Q1.

Jason Helfstein

Again, if you think about the different ways to sell, will you be—do you expect by the end of the year, will you be then 100% through RAC or will you still be selling through other methods as well?

Chris Pavlovski

By the end of the year, we think, I hope to be 100% selling through or 90%, 95% plus selling through RAC within the next quarter or two for sure. We want to move all of our host-read advertising through RAC. When it comes to programmatic, we've moved a lot of it already through RAC. Just to give a little bit of insight on RAC, we saw growth sequentially both in January, February, and March as well.

Jason Helfstein

What was the offsetting factor, because obviously the U.S. revenue was down sequentially. What was—if RAC was up, what was down?

Chris Pavlovski

We just introduced, we introduced the pre-rolls starting in, I think it was depending on the device, it was throughout the quarter. As we started introducing, we started to see growth in RAC. Obviously, it's coming off a smaller baseline, but we're seeing the growth there.

Jason Helfstein

Okay. Then on other services and cloud revenue, that was basically flat sequentially, but you talked about some new deals and momentum. Are there any offsetting factors in that line if we think about the first quarter versus the fourth quarter? Then just how should we think about growth in that line from here for the rest of the year?

Chris Pavlovski

With respect to cloud, we launched it, I think, in the last final weeks of the quarter. We're not going to be able to provide any reasonable guidance on that because it was launched in the last couple of weeks of the quarter.

Jason Helfstein



Okay. Then just specifically the comment about, maybe Brandon, if you want to answer this, the comment about the move materially towards breakeven in '25. There's just been some questions, let's be a little more specific. Are we talking about EBITDA? Are we talking about net income? Are we talking about free cash flow? Which metric are you talking about? Then it sounds like you're saying at some point in '25, i.e., a given quarter in '25, but not for all of '25. If you could just maybe clarify those two points.

Brandon Alexandroff

Yes. We're not giving specific definition of that at this stage, and we'll continue to refine exactly what that definition is. But obviously, it's related to cash and the fact that our revenue engines are starting to kick in and our creator commitment expenses are starting to close out. That's where we start heading towards breakeven but we're not giving a specific definition of what that is, and we're also not giving guidance at this stage on which quarter, in particular. However, we have discussed the fact that these creator commitments have about a 12-month to 36-month time frame on them, but they're mostly in the shorter range of that. We should expect this to start happening in the mid to back half of next year.

Jason Helfstein

Then just maybe lastly on the content engagement side. Chris, what are you most excited about in the second quarter?

Chris Pavlovski

Yes. There's a few different things that we're looking at right now. Obviously, the election cycle kicking off at the GOP convention we feel like we're going to be a big part of that going forward for the end of the year. But we're also starting to see a lot of traction on just the smaller creators and the smaller live streams and we're seeing some growth on that as well. As we introduce the Rumble Studio product and introduce ads, we feel like we're really going to be able to fuel a lot of engagement and traction in that community. We have seen an uptick there and we're really looking forward to pushing on both ends as we get into the end of the year here.

Operator

Our next question comes from Tom Forte with Maxim Group.

Tom Forte

Three questions for me. I'll go one at a time. Chris, you talked a little about the sports content and the platform. That part of my question was answered. But can you explain or discuss the significance of the strategic partnership with Barstool Sports?

Chris Pavlovski

Hi, Tom, this is Chris. Yes, we signed a deal with Dave Portnoy of Barstool Sports in Q1. That deal encompasses multiple different things. One is obviously bringing in all their podcasts and all their shows to Rumble. Two is that they'll be promoting Rumble as their main live-streaming platform and video platform for all their video content. We'd be the home and there's an exclusive promotion arrangement there. Three, we also have a cloud services arrangement with them, and four, an advertising partnership.

What we're noticing with the Barstool partnership right now is that it has helped us a lot with opening doors with brands. A lot of brands are very interested in advertising around the Barstool content. It's been very beneficial with respect to our sales team and opening up doors there.

Tom Forte



Then for my second question, I wanted to talk about audience engagement and then with the upcoming U.S. presidential election, what you can do if anything to sustain engagement following the election.

Chris Pavlovski

Yes, this is Chris again. This is where I think we missed an opportunity back in 2022, and here in 2024 we're going to capture that opportunity. In 2022, our product was really lacking in many different ways. We lacked a lot of features that our competition like YouTube had or Twitch had, and most particularly YouTube. With respect to what we've done in the last year is that we've really, really improved that product to create a mousetrap to really stick the users. In 2022 during the midterms, we lost a lot of users directly after that election cycle. We saw a steep drop-off right away.

In 2024, we're hoping to have that big increase in audience again in the back half of this year. But the major difference here is that we have a lot more content, it's a lot more diversified, the product is significantly better, in some cases it's better than our competition. I think that we'll be a lot better at sticking a big cohort of those users after this election. It really comes down a product to my eyes and having a really, really good product and I think that we're really executing on that in a major way through the Rumble platform and obviously, the Rumble Studio, which is very unique to our competition. If we can have the creators using that studio product and seeing the benefits of that, I think it's going to be a lot easier to stick to users on Rumble come in 2025.

Tom Forte

Then last question for me, and thanks again for taking my questions. You've talked from time-to-time about upgrading your user interfaces. I was hoping you can give your current thoughts on your user interfaces for web, mobile web, mobile app, and smart TV apps.

Chris Pavlovski

Yes. We've made some huge improvements. We just redid the dashboard here about a week ago and another iteration of design and mobile apps that took place as well. We've made massive progress on this both on OTT, mobile, and desktop. I think that our UI now is at a point where we don't receive complaints anymore. It's really at a point where we can really help the platform and stick the users.

Tom Forte

Great. Thanks for taking my questions.

Chris Pavlovski

Thank you, Tom.

Operator

We have now reached the end of our question-and-answer session.

This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.